

Shifts in spending patterns of older Canadians

Raj K. Chawla

As households age, their economic and demographic situations change. Income, savings and wealth generally decline, and household size shrinks as adult children leave or a spouse dies. Spending patterns may also change. For example, older families may spend less on transportation as they experience reduced mobility, and more on health.

The economic well-being of older households with respect to pre- and post-tax income, low-income rates, and wealth holdings has been widely discussed (Myles 2000; Gower 1998; Chawla and Pold 2003; Williams 2003). However, less is known about how their income is divided among taxes, security,¹ consumption and savings. This article looks at three household groups based on the age of the reference person: 55 to 64, 65 to 74, and 75 or over (see *Data sources and definitions*). Since more than three-quarters of the first group had employment earnings compared with around one-third of the second group and just one-tenth of the third, the shifts in expenditure patterns should also reflect the adjustments households make as their active attachment with the labour market diminishes.²

Household expenditure depends on factors such as income, size, composition, and urban or rural location, so any comparisons over time would at least require adjustments with respect to type and size of household. A common approach is to use per capita or equivalence scale concepts (Pendakur 1998). Since the study focuses on households at a life-cycle stage when the majority are either couples with no children or unattached individuals, it should not be affected by such concerns. In 1982, unattached men and women and couples accounted for 57% of all households in the 55-to-64 group compared with 86% in the 75-and-over group; by 2003, their proportions were 61% and 85% respectively.

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Expenditure patterns change not only over the life cycle but also over time as new products and services emerge. Changes in spending patterns between 1982 and 2003 are highlighted using 'similar' rather than 'cohort' households. For example, an increase of \$100 in mean expenditure on a given item by unattached men implies that they were, as a group, spending that much more in 2003 than similar men in 1982. (All money figures are in 2003 dollars.)

Socio-demographic transitions as households age

The composition of households changes notably by age. In both 1982 and 2003, a little over one-third of households in the 55-to-64 group still contained children or other relatives, with the remainder being unattached individuals or couples (Table 1). By 65 to 74, however, households consisted largely of couples and unattached women; and by 75 plus, unattached women predominated, at a little over 40% of households. Such compositional shifts result in smaller households, causing some to downsize or move to rental accommodation. For instance, between the 55-to-64 and 75-plus age groups, the proportion renting increased from 28% to 43% in 1982 and from 24% to 36% in 2003.

Another change at this time concerns major source and amount of income. In both 1982 and 2003, three-quarters of households in the 55-to-64 group had employment earnings, accounting for more than 70% of their income. For those in the 75-plus group, on the other hand, government transfers and pensions (private and work-related) became more prevalent—constituting 59% of income in 1982 and 80% in 2003. Although a greater proportion of households in the 75-plus group reported earnings in 2003 than in 1982, the share of income from earnings fell from 12% to 9%. The share of income from investments also fell for this group—from 29% in 1982 to 10% in 2003.³

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Table 1 Profile of older households by age of reference person

	1982					2003			
	Total	55-64	65-74	75+		Total	55-64	65-74	75+
Households	2,669	1,203	939	527	'000	4,233	1,881	1,221	1,131
					%				
Household type									
Unattached men	7.9	6.6	6.8	12.9		10.6	9.3	9.5	14.1
Unattached women	26.2	16.4	29.3	42.9		24.7	14.3	25.0	41.6
Couples only	36.1	33.6	42.9	29.9		36.8	37.2	43.4	29.0
Households with children or relatives	24.5	38.5	15.0	9.1		22.9	35.1	16.8	9.0
Other mixed households	5.3	4.9	6.0	5.2		5.0	4.1	5.3	6.3
Homeownership									
Renter	32.1	27.6	31.7	43.3		27.1	24.2	24.0	35.5
Owner without mortgage	54.4	49.9	60.1	54.6		57.1	49.3	65.4	61.3
Owner with mortgage	13.4	22.5	8.2	2.1		15.7	26.5	10.6	3.2
Income sources									
Earnings	48.8	80.3	29.5	11.3		46.4	76.0	32.4	12.2
Investment income	69.8	66.9	73.2	70.6		35.0	29.1	38.2	41.4
Government transfers	85.4	68.4	99.1	99.9		87.7	73.1	99.4	99.5
Other sources	34.9	26.0	44.1	38.8		47.5	35.5	60.3	53.5
Composition of income									
Earnings	51.0	72.9	22.4	12.4		50.3	71.7	27.7	9.2
Investment income	16.1	10.7	21.8	28.8		5.7	4.1	6.7	10.2
Government transfers	24.0	10.4	42.5	46.3		25.6	10.4	40.8	55.6
Other sources	8.9	6.0	13.3	12.5		18.5	13.8	25.0	24.9
Income from government transfers									
None	14.6	31.6	0.9	0.1		12.3	26.9	0.6	0.5
Some	73.2	60.5	84.8	81.6		69.8	63.8	80.5	68.2
Complete	12.2	7.9	14.3	18.3		17.9	9.3	18.9	31.3
Income level									
Under \$20,000	31.4	18.1	35.8	53.9		23.7	14.9	23.0	39.1
\$20,000 - \$34,999	25.8	18.3	34.6	27.4		26.6	17.9	32.3	35.0
\$35,000 - \$49,999	15.2	18.0	14.5	10.1		16.2	16.4	19.4	12.5
\$50,000 or more	27.5	45.6	15.0	8.7		33.5	50.8	25.4	13.4
Expenditure level									
Under \$20,000	35.8	18.5	41.9	64.7		24.0	12.8	24.3	42.3
\$20,000 - \$34,999	26.4	21.3	33.9	24.4		26.2	17.9	31.2	34.7
\$35,000 - \$49,999	16.3	24.0	12.5	5.7		16.9	17.5	21.1	11.3
\$50,000 or more	21.4	36.3	11.6	5.2		33.0	51.9	23.4	11.8
Expenditure to income ratio									
Under 75.0	21.3	18.9	22.2	24.9		12.9	10.6	13.6	16.0
75.0 - 94.9	36.0	38.0	33.6	35.6		34.4	34.2	32.9	36.3
95.0 - 99.9	10.0	10.4	9.6	9.9		10.1	10.3	10.0	10.0
100.1 - 104.9	8.6	8.0	10.1	7.5		6.1	5.6	6.9	6.1
105.0 - 124.9	13.9	14.6	12.8	14.1		18.3	19.6	18.1	16.2
125.0 or more	10.2	10.0	11.7	7.9		16.4	17.9	16.7	13.6

Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

A change in the principal component of income is accompanied by a shift in the income distribution of households as they age. In both 1982 and 2003, the majority of households in the 55-to-64 group, with earnings as the major source of income, had incomes of \$50,000 or more, whereas the majority in the 75-plus group, with pensions and transfers, received under \$20,000.

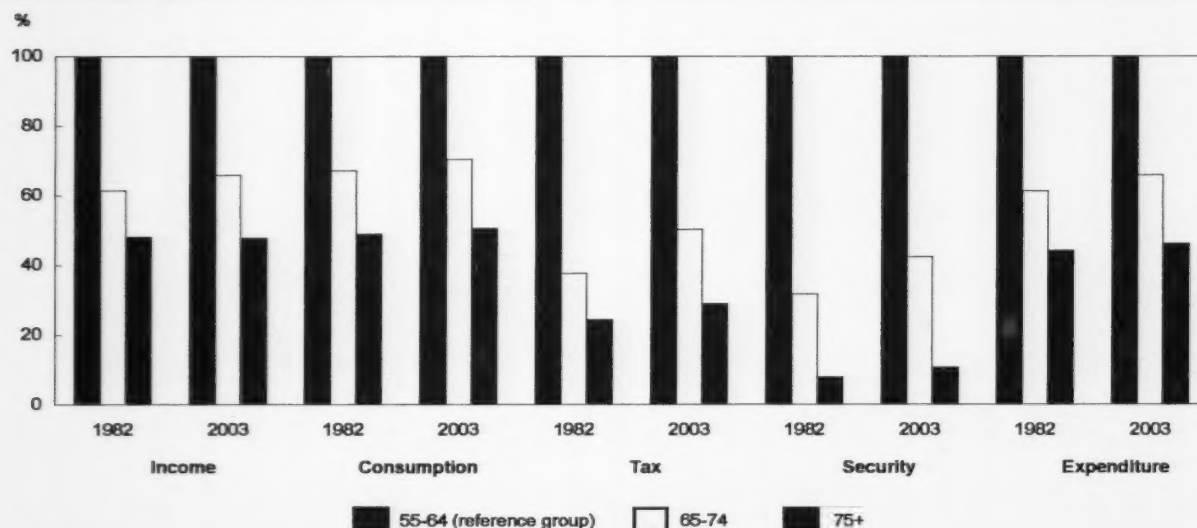
Income, consumption and expenditure changes

As households age, their income drops (Chart). The largest decline occurs between the 55-to-64 and 65-to-74 groups, as labour market attachment diminishes and earnings are no longer the major source of income. A further drop occurs between the 65-to-74 and 75-plus groups, largely because of little or no earnings and more reliance on government transfers and pensions. Compared with a mean income of \$53,100 for households 55 to 64 in 1982, those 65 to 74 received 39% less and those 75 plus, 52% less (Table 2). By 2003, even though the mean income of households in the first group had grown to \$62,800, the pattern remained the same, with income falling by

34% and 52% for those in the older groups. In both years, the mean income of households 55 or older with no earnings was about half that of those with an employed member.

As household income declines, so does expenditure. The expenditure drop reflects primarily the drop in income tax and security contributions. Under a progressive taxation system, the effective tax rate drops as income decreases. Security contributions will also be less as people retire from paid employment. However, income and expenditure do not drop equally over the three age groups. Income drops much more significantly between the 55-to-64 and 65-to-74 groups, largely because of the loss of earnings, whereas expenditure drops more gradually because households take a little longer to adjust their spending. Among couples, for example, of the total drop in income over the three age groups in 2003, 68% occurred between the two younger groups (55 to 64 and 65 to 74) with 32% between the two older ones (65 to 74 and 75 plus); the corresponding drops in expenditure were 64% and 36%, with 58% and 42% for personal consumption.

Chart The largest drops in income, consumption and expenditure are seen between the first two age groups.



Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

Table 2 Income disbursement by age of reference person

	1982				2003			
	Total	55-64	65-74	75+	Total	55-64	65-74	75+
All households					2003\$			
Mean income	40,500	53,100	32,600	25,600	47,900	62,800	41,400	30,100
Disbursement					%			
Personal consumption	66.3	64.4	70.5	65.4	71.1	69.2	73.9	73.3
Income tax	13.5	16.3	10.0	8.2	17.6	20.2	15.3	12.2
Security	3.1	4.0	2.1	0.7	4.2	5.4	3.5	1.2
Gifts and contributions	4.4	3.5	5.5	6.7	3.6	2.3	4.3	7.0
Savings ¹	12.7	11.8	12.0	19.1	3.5	2.9	3.0	6.3
Unattached men					2003\$			
Mean income	27,100	34,700	24,100	20,900	29,300	32,700	27,100	27,200
Disbursement					%			
Personal consumption	63.5	57.8	74.9	62.2	72.9	70.5	76.2	73.7
Income tax	13.5	18.1	9.5	8.9	18.2	21.6	14.9	16.1
Security	2.6	3.8	2.6	0.3	2.2	3.3	1.6	1.2
Gifts and contributions	4.9	4.5	5.3	5.4	6.2	5.8	5.6	7.1
Savings ¹	15.4	15.7	7.7	23.2	0.5	-1.2	1.7	1.9
Unattached women					2003\$			
Mean income	19,400	22,500	19,200	16,900	23,600	28,500	22,800	21,200
Disbursement					%			
Personal consumption	75.3	76.4	74.4	75.1	81.0	82.1	84.1	78.0
Income tax	8.4	12.6	7.3	5.2	12.8	16.5	12.3	10.3
Security	1.3	3.1	0.6	0.1	1.9	4.4	1.0	0.5
Gifts and contributions	7.1	4.2	8.5	8.4	6.8	2.4	7.0	10.0
Savings ¹	8.0	3.7	9.2	11.2	-2.4	-5.4	-4.4	1.2
Couples only					2003\$			
Mean income	43,700	54,700	36,700	33,800	52,900	66,200	45,800	36,300
Disbursement					%			
Personal consumption	62.9	59.3	68.9	61.6	69.7	67.1	73.7	71.5
Income tax	13.5	16.7	10.2	9.2	18.5	21.7	16.0	11.2
Security	3.0	4.0	2.6	0.3	3.7	5.0	2.7	1.0
Gifts and contributions	4.9	4.0	5.4	7.0	3.5	2.9	3.4	6.1
Savings ¹	15.7	16.1	12.8	21.9	4.6	3.4	4.2	10.3

¹ Income less expenditure.

Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

Spending changes by age

Since income is a key determinant of expenditure, a drop in income may adversely affect standard of living. Households may spend more than their income, running down savings or incurring debt in order to maintain their lifestyle. In fact, about one-third of households 55 and over spent more than their income in 1982, and almost 41% in 2003. One-sixth of households in the 55-to-64 and 75-plus groups were on the border line, with expenditure within 5% of income. The majority of those who outspent their income did so by 5% to 25%.

All households spent most of their income dollar on personal consumption—anywhere between 58 cents and 84 cents, depending on age and type of household. The remainder went for income tax, security contributions, gifts and contributions,⁴ or savings. (The shares spent on these items also varied by age and type of household.) In 1982, households in the 55-to-64 group, with earnings as the major source of their relatively higher incomes, used 64 cents for personal consumption, 16 cents for income tax, and 4 cents each for security and gifts and contributions, saving the remaining 12 cents; by 2003, such households were spending more on consumption (69 cents), income tax

(20 cents), security and gifts and contributions (8 cents), and saving very little (3 cents). The situation was no different for non-working households in the 75-plus group. They spent 65 cents of each income dollar on personal consumption and another 8 cents on income tax in 1982, compared with 73 cents and 12 cents in 2003. Consequently, these households also saved much less of their income dollar in 2003 than in 1982—6 cents versus 19.

In both 1982 and 2003, unattached women in the 55-to-64 and 75-plus groups spent most of their income dollar on personal consumption (food, shelter, household operations, clothing, and the like)—much more than their male and couple counterparts. Since these women's incomes were low, they of course paid less in income tax and security contributions. Nonetheless, they spent relatively more of their income dollar on gifts and contributions and saved less. On the other hand, unattached men aged 55 to 64 spent more of their income dollar on gifts and contributions and income tax than couples.

Consumption changes by age

All types of households spent more of their income dollar on personal consumption in 2003 than in 1982. In 1982, the 55-to-64 group spent \$34,200 compared with \$16,700 for those 75 plus. By 2003, spending had reached \$43,500 and \$22,000 (Table 3A). The widening gap between working and non-working households largely reflected greater expenditures by working households—\$9,300 compared with \$5,300. As always, food, shelter and transportation dominated, accounting for between 61 and 68 cents of each consumption dollar. The ranking of these three items changed for households in the 55-to-64 group—from food, shelter, transportation in 1982 to shelter, transportation, food in 2003. However, the order did not change for those 75 plus: shelter, food, transportation (Table 3B).

The next three components of consumption in 1982 for those 55 to 64 were clothing, recreation, and household operations; in 2003, this group spent relatively more on recreation and much less on clothing. In both years, these three items accounted for another 18 to 19 cents of consumption. For households in the 75-plus group, on the other hand, the next three components of consumption in 1982 were household operations, clothing and household furnishings; by 2003, the last two were replaced by health and recreation. Expenditure on these three components took 17 to

19 cents. Overall, then, in both 1982 and 2003, just six components of consumption accounted for 80% of the total for households in the 55-to-64 group and 84% for those 75 plus.

The amount spent on personal consumption drops as households age. For instance, in 1982, mean consumption by couples in the 55-to-64 group was \$32,400 compared with \$20,800 for those 75 plus, almost 36% less; by 2003, the difference was nearly 42% as expenditures hit \$44,400 and \$25,900 for the respective groups. A similar pattern prevailed for unattached individuals. The picture was much the same in 2003, but with narrower gaps between unattached individuals and couples in the 75-plus group.

Since most women have lower incomes than men, they also consume less. In the 55-to-64 group in 1982, women had 35% less income but only 14% less consumption. But as women's incomes improved over time, their income in 2003 was only 13% less and their consumption matched men's. For unattached individuals 75 plus, on the other hand, both income and consumption ratios by sex dropped—from 81% to 78% for income and from 97% to 83% for consumption.

Despite increases in personal consumption between 1982 and 2003, the spending patterns of couples in the 55-to-64 and 75-plus groups were about the same. In both years, food, shelter and transportation accounted for nearly two-thirds of their total consumption. Both groups spent less on food in 2003 than in 1982, but more on shelter and transportation. More was also spent on recreation and health; for couples 55 to 64, the mean expenditure rose from \$1,500 to \$3,900 (157%) on recreation, and from \$1,000 to \$2,300 (116%) on health; the corresponding increases in the 75-plus group were from \$800 to \$1,000 (25%) and from \$700 to \$2,100 (219%).

The key spending patterns of unattached individuals were similar to couples. Like couples in the 55-to-64 group, unattached men and women allocated a little over 60% of their consumption to food, shelter and transportation. However, in the 75-plus group, women spent more on household operations while men spent much more on transportation. The gap between men and women on health expenditures narrowed in the 75-plus group—men spent a little over half the amount spent by women in 1982 but slightly more in 2003.

Decreases occurred in some areas of spending as households aged. For example, for couples in 1982, substantial decreases were noted for tobacco and

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Table 3A Mean expenditure on components of consumption by age of reference person

	1982				2003			
	Total	55-64	65-74	75+	Total	55-64	65-74	75+
2003\$								
All households¹								
Food	6,010	7,400	5,280	4,130	5,660	6,750	5,390	4,120
Shelter	6,330	7,170	5,860	5,280	8,690	10,350	7,670	7,040
Household operation	1,530	1,820	1,380	1,140	2,180	2,610	1,960	1,690
Furnishings and equipment	1,170	1,510	1,010	660	1,300	1,730	1,120	760
Clothing	1,920	2,640	1,510	1,030	1,730	2,430	1,480	850
Transportation	4,610	6,390	3,810	1,960	6,780	9,470	6,080	3,050
Health	790	1,030	650	510	1,700	1,860	1,680	1,470
Personal care	640	810	540	410	650	780	630	470
Recreation	1,300	1,800	1,090	550	2,460	3,410	2,210	1,160
Reading and printed material	230	280	210	150	270	310	260	200
Tobacco and alcohol	1,140	1,690	830	430	1,110	1,540	1,010	500
Miscellaneous	990	1,410	760	460	1,060	1,380	950	660
Mean personal consumption ²	26,810	34,210	22,990	16,730	34,040	43,490	30,610	22,030
Mean expenditure	35,310	46,860	28,710	20,700	46,220	61,000	40,190	28,150
Unattached men								
Food	3,850	4,320	3,820	3,320	3,380	3,360	3,510	3,300
Shelter	4,880	4,940	5,420	4,300	6,750	5,900	5,420	6,800
Household operation	930	1,020	930	820	1,390	1,570	1,160	1,370
Furnishings and equipment	490	860	320	230	740	950	500	660
Clothing	760	1,070	750	400	640	920	610	340
Transportation	2,830	3,080	3,650	1,760	3,890	3,770	4,370	3,680
Health	400	660	280	200	900	750	860	1,090
Personal care	230	300	240	150	230	260	250	190
Recreation	670	850	630	500	1,400	1,630	1,130	1,350
Reading and printed material	170	200	180	110	190	190	180	180
Tobacco and alcohol	1,160	1,640	1,140	610	1,020	1,330	1,230	540
Miscellaneous	840	1,130	700	620	830	1,020	950	530
Mean personal consumption ²	17,200	20,080	18,050	13,010	21,380	23,070	20,650	20,060
Mean expenditure	22,910	29,260	22,240	16,070	29,180	33,100	26,630	26,690
Unattached women								
Food	3,220	3,320	3,380	2,950	3,170	3,490	3,230	2,950
Shelter	5,180	5,340	5,070	5,190	6,910	7,790	6,770	6,490
Household operation	1,110	1,190	1,070	1,100	1,520	1,620	1,480	1,480
Furnishings and equipment	520	590	550	430	710	960	750	550
Clothing	890	1,080	900	720	880	1,190	970	660
Transportation	1,440	2,640	1,240	630	2,170	3,860	2,260	1,150
Health	410	530	360	360	1,040	1,100	990	1,030
Personal care	390	440	370	360	470	540	480	420
Recreation	560	820	580	300	1,110	1,270	1,120	1,010
Reading and printed material	140	160	150	120	170	210	190	150
Tobacco and alcohol	310	520	270	170	390	720	430	170
Miscellaneous	400	530	360	340	480	570	440	450
Mean personal consumption ²	14,580	17,170	14,300	12,660	19,080	23,410	19,150	16,560
Mean expenditure	17,830	21,640	17,460	14,960	24,130	30,080	23,770	20,980
Couples only								
Food	6,130	6,930	5,670	5,260	6,150	6,660	6,140	5,090
Shelter	6,550	7,290	6,120	5,760	8,830	10,180	8,010	7,290
Household operation	1,660	1,950	1,510	1,260	2,270	2,600	2,100	1,830
Furnishings and equipment	1,400	1,650	1,250	1,100	1,650	2,090	1,440	1,050
Clothing	1,830	2,200	1,640	1,390	1,890	2,450	1,650	1,060
Transportation	4,970	5,920	4,770	3,020	7,600	9,850	6,640	4,340
Health	860	1,050	750	660	2,160	2,260	2,060	2,100
Personal care	650	750	600	520	700	770	680	570
Recreation	1,290	1,520	1,260	790	2,870	3,910	2,670	990
Reading and printed material	240	280	210	190	290	330	270	240
Tobacco and alcohol	1,120	1,570	910	520	1,170	1,600	930	660
Miscellaneous	790	1,220	540	310	1,150	1,480	1,020	650
Mean personal consumption ²	27,520	32,380	25,270	20,790	36,870	44,390	33,730	25,910
Mean expenditure	36,880	45,880	31,950	26,390	50,460	63,920	43,820	32,530

1 Includes those with children or relatives, and other household types.

2 Includes small expenditure on education, not shown separately.

Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

Table 3B Allocation of consumption by age of reference person

	1982				2003			
	Total	55-64	65-74	75+	Total	55-64	65-74	75+
				%				
All households¹	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food	22.4	21.6	23.0	24.7	16.6	15.5	17.6	18.7
Shelter	23.6	20.9	25.5	31.6	25.5	23.8	25.1	32.0
Household operation	5.7	5.3	6.0	6.8	6.4	6.0	6.4	7.7
Furnishings and equipment	4.4	4.4	4.4	3.9	3.8	4.0	3.7	3.5
Clothing	7.2	7.7	6.6	6.1	5.1	5.6	4.8	3.9
Transportation	17.2	18.7	16.6	11.7	19.9	21.8	19.9	13.8
Health	3.0	3.0	2.8	3.1	5.0	4.3	5.5	6.7
Personal care	2.4	2.4	2.4	2.5	1.9	1.8	2.0	2.1
Recreation	4.9	5.3	4.8	3.3	7.2	7.9	7.2	5.3
Reading and printed material	0.9	0.8	0.9	0.9	0.8	0.7	0.8	0.9
Tobacco and alcohol	4.2	4.9	3.6	2.6	3.3	3.5	3.3	2.2
Miscellaneous	4.2	4.9	3.5	2.8	4.5	5.2	3.7	3.2
Unattached men	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food	22.4	21.5	21.1	25.5	15.8	14.6	17.0	16.5
Shelter	28.4	24.6	30.0	33.0	31.6	31.4	28.6	33.9
Household operation	5.4	5.1	5.2	6.3	6.5	6.8	5.6	6.8
Furnishings and equipment	2.9	4.3	1.8	1.7	3.4	4.1	2.4	3.3
Clothing	4.4	5.3	4.1	3.1	3.0	4.0	2.9	1.7
Transportation	16.4	15.3	20.2	13.5	18.2	16.3	21.1	18.4
Health	2.3	3.3	1.6	1.5	4.2	3.3	4.2	5.4
Personal care	1.4	1.5	1.3	1.2	1.1	1.1	1.2	0.9
Recreation	3.9	4.2	3.5	3.8	6.6	7.1	5.5	6.7
Reading and printed material	1.0	1.0	1.0	0.9	0.9	0.8	0.9	0.9
Tobacco and alcohol	6.7	8.2	6.3	4.7	4.8	5.8	5.9	2.7
Miscellaneous	4.9	5.7	3.9	4.7	4.0	4.6	4.7	2.7
Unattached women	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food	22.1	19.4	23.6	23.3	16.6	14.9	16.9	17.8
Shelter	35.6	31.1	35.5	41.0	36.2	33.3	35.4	39.2
Household operation	7.6	7.0	7.5	8.6	8.0	6.9	7.7	8.9
Furnishings and equipment	3.6	3.4	3.9	3.4	3.7	4.1	3.9	3.3
Clothing	6.1	6.3	6.3	5.7	4.6	5.1	5.0	4.0
Transportation	9.9	15.4	8.7	5.0	11.4	16.5	11.8	7.0
Health	2.8	3.1	2.5	2.8	5.4	4.7	5.2	6.2
Personal care	2.7	2.6	2.6	2.9	2.5	2.3	2.5	2.5
Recreation	3.8	4.8	4.1	2.4	5.8	5.4	5.8	6.1
Reading and printed material	1.0	0.9	1.0	0.9	0.9	0.9	1.0	0.9
Tobacco and alcohol	2.1	3.0	1.9	1.3	2.0	3.1	2.3	1.0
Miscellaneous	2.8	3.2	2.5	2.7	2.8	2.8	2.4	3.0
Couples only	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food	22.3	21.4	22.4	25.3	16.7	15.0	18.2	19.6
Shelter	23.8	22.5	24.2	27.7	24.0	22.9	23.7	28.1
Household operation	6.0	6.0	6.0	6.1	6.1	5.9	6.2	7.1
Furnishings and equipment	5.1	5.1	5.0	5.3	4.5	4.7	4.3	4.1
Clothing	6.7	6.8	6.5	6.7	5.1	5.5	4.9	4.1
Transportation	18.1	18.3	18.9	14.5	20.6	22.2	19.7	16.8
Health	3.1	3.2	3.0	3.2	5.9	5.1	6.1	8.1
Personal care	2.4	2.3	2.4	2.5	1.9	1.7	2.0	2.2
Recreation	4.7	4.7	5.0	3.8	7.8	8.8	7.9	3.8
Reading and printed material	0.9	0.9	0.8	0.9	0.8	0.7	0.8	0.9
Tobacco and alcohol	4.1	4.8	3.6	2.5	3.2	3.6	2.8	2.5
Miscellaneous	3.0	3.9	2.2	1.5	3.5	3.8	3.4	2.7

¹ Includes those with children or relatives, and other household types.

Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

Data sources and definitions

The analysis is based on the 1982 **Family Expenditure Survey** (FAMEX) conducted in February-March 1983 and the 2003 **Survey of Household Spending** (SHS) done in January-March 2004. Since the surveys were taken nearly 20 years apart, some changes in spending patterns could be attributed to changes in survey concepts, content, and methods. Both surveys were conducted by personal interview, used a multi-stage stratified clustered sample drawn from the Labour Force Survey frame. The population in institutions such as nursing homes, hospitals and penitentiaries were excluded as well as those living in the territories and on Indian reserves. However, some key differences remain. First, FAMEX, a periodic survey until 1996, asked 641 questions compared with 425 in the SHS, an annual survey since 1997. Also, the methods used to derive population estimates from the respective samples were different, and the SHS used much more automated systems. For more details on these issues, see Statistics Canada (1984, 2000 and 2003).

The surveys collected data on expenditures and income from all private households in the 10 provinces. The household spending unit is defined as a group of persons dependent on a common or pooled income for major expenses and living in the same dwelling, or one financially independent individual living alone. Since the composition of a household may vary over a year, the use of part-year and full-year households would have distorted some of the comparisons. Hence, the analysis is restricted to full-year households and their composition and dwelling characteristics as of December 31 linked to details on expenditures incurred and income received during the calendar years 1982 and 2003. The analysis is based on households with the reference person 55 or older—3,455 for 1982 and 5,935 for 2003.

Household: A person or group of persons occupying one dwelling unit. The number of households, therefore, equals the number of occupied dwellings. A full-year household has at least one full-year member; a part-year household is composed entirely of part-year members.

Head/reference person: Despite some differences, the two concepts are used here synonymously. The 1982 data are classified by age of the head of household and the 2003 data by age of the reference person. The husband was treated as the head in families consisting of married couples with or without children, as was the parent in lone-parent families and normally the eldest in all other families. On the other hand, the reference person was chosen by the household member as the person mainly responsible for the financial maintenance of the household. Also, this person must have been a member of the household on December 31 of the reference year. The head/reference person can be either male or female.

Tenure: Households are classified by tenure (homeownership status) into three groups: renters, homeowners without a mortgage, and homeowners with a mortgage.

Expenditure on shelter: Data on this component are not comparable. In 1982, they included mortgage interest on a home and vacation home whereas the principal was included under 'net changes in assets and debts'. In 2003, this component included information on regular mortgage payments (principal and interest).

Pre-tax household income: Sum of incomes before taxes and other deductions received during the reference calendar year by all members of the household. Sources include wages and salaries, net income from self-employment, rental and investment income, government transfers (EI benefits, Child Tax Benefits, GST credits, provincial tax credits, social assistance, OAS, GIS, C/QPP benefits), private and employer pension plans, scholarships, alimony, child support payments, and so forth. Income in kind, windfall gains, and capital gains and losses are excluded.

Expenditures collected: With some minor exceptions, the surveys include spending on all goods and services received during the reference calendar year. All expenses attributable to an owned business are excluded. On the other hand, taxes such as GST, provincial sales tax, duties, customs and excise on all goods and services purchased are included in expenditures.

Total expenditure: Sum of expenditure on current consumption of goods and services, federal and provincial income tax paid, payments pertaining to security, and gifts and contributions made. Contributions to registered retirement savings plans are not treated as a component of security.

Current consumption (also referred to as **total consumer spending**): Includes expenditure on broad components: food, shelter, household operation, household furnishings and equipment, clothing, transportation, health, personal care, recreation, reading material and other printed matter, education, tobacco products and alcoholic beverages, and miscellaneous (including union dues and games of chance). For a detailed breakdown of components, see Statistics Canada (2003).

Constant dollars: To remove the effect of inflation or rising prices on consumption, all money figures are in 2003 dollars. While the prices of all 1982 goods and services may not have moved up at the same pace as the all-items CPI, the use of one conversion factor simplifies the analysis. Another advantage of using one such conversion factor is that it preserves the rank order and budget percentage of spending items (Snider 2005).

Average expenditure by item: Unless stated otherwise, overall averages are used. The overall average is obtained by dividing the aggregate amount of an item by total households.

alcohol, recreation, transportation, health, and clothing. Shelter and food on the other hand showed the least reduction. By 2003, the components with larger reductions remained the same but those with least reduction now included health, and reading and printed materials.⁵ Similarly, for the unattached, relatively smaller reductions were noted for shelter, food, and household operations.

Rising health expenditures

Between 1982 and 2003, household expenditures on health rose because of increased premiums for government and private health insurance, and because of higher out-of-pocket expenses for treatments and medicines not covered by insurance.⁶ Households with a reference person 55 and over spent \$7.2 billion in 2003 on health compared with \$2.1 billion in 1982. And in both years, health insurance premiums accounted for 30% of these costs.

Since supplementary medical coverage through a private insurance plan is often a benefit of employment, the proportion of households covered under such schemes declines between the 55-to-64 and 75-plus groups. For instance, for unattached women, it fell from 53% to 47% in 1982 and from 49% to 42% in 2003. Thus, not only are more households in the 75-plus group incurring more out-of-pocket health expenses, but also these direct costs constitute the lion's share of their health expenditure—for unattached women, the percentage grew from 78% in 1982 to 81% in 2003 while jumping from 64% to 75% for men (Table 4).

Besides health insurance, all households, irrespective of age, spent the most on prescribed drugs, and other medical equipment and appliances. After these two, the order of spending on dental services, eye care, and other health care and medical services varied across age groups—more in 1982 than in 2003. However, couples and unattached individuals in the 75-plus group in 2003 showed a consistent order of out-of-pocket spending on health: prescribed drugs, other medical and health care services, dental services, and eye care.

Spending patterns of households dependent on government transfers

For households in the 55-to-64 group, government transfers may include Employment Insurance benefits, worker's compensation, C/QPP disability benefits, or social assistance; for households 65 to 74 and 75 plus,

such payments may also include Old Age Security, Guaranteed Income Supplement, the Allowance, veterans' pensions, or the C/QPP retirement pension. Households in the latter two age groups are more likely to derive all their income from government transfers—especially those with no work-related pension, investments, or other source of income.

In 2003, almost one-third of households in the oldest group received their entire income from government transfers compared with less than one-fifth in 1982; the corresponding proportions for the 55-to-64 group were 9% and 8%. In both years, two-thirds of these households were unattached individuals (more women than men) and one-quarter were couples.

The average income of households totally dependent on transfers in the 55-to-64 group rose from \$11,200 in 1982 to \$12,900 in 2003, while their expenditures jumped from \$11,800 to \$15,400. In the 75-plus group, on the other hand, income went from \$12,500 to \$17,000 and expenditures from \$11,900 to \$17,200 (Table 5). The higher income of the 75-plus group in 2003 can be attributed to the maturity of the C/QPP, resulting in more recipients as well as higher benefits, and to inflation-adjusted payments from other programs. In spite of such increases in income, 42% of these households spent more than their income in 2003 compared with 35% in 1982; the corresponding proportions for households in the 55-to-64 group were 62% and 53%.

Because of lower incomes, households with their entire income from government transfers paid very little in personal taxes or security contributions. Instead, they spent their income on personal consumption. Those 75 plus spent slightly more on gifts and contributions than those 55 to 64. In fact, in both 1982 and 2003, households in the 75-plus group spent, on average, more on gifts and contributions than they did on personal care, recreation, or tobacco and alcohol.

Most of the consumption dollar in households dependent on transfers went for food and shelter, accounting for 52 to 57 cents in 2003, compared with 58 to 65 cents in 1982. The relative share spent on shelter grew over time as rent and home maintenance went up and food dropped. Relatively similar amounts were spent in 1982 and 2003 on transportation and household operations. The major difference between the 55-to-64 and 75-plus groups was in spending on tobacco and alcohol and on health. The former spent more on tobacco and alcohol, the latter on health.

Shifts in spending patterns of older Canadians

Table 4 Health expenditure by age of reference person

	1982				2003			
	Total	55-64	65-74	75+	Total	55-64	65-74	75+
All households¹	2,114.5	1,235.1	609.4	270.0	7,202.7	3,497.0	2,048.7	1,657.0
				2003\$ (millions)				
				%				
Direct cost to household	70.6	63.7	80.5	79.7	70.0	64.9	71.7	78.5
Medicines and pharmaceuticals	24.5	23.3	27.0	24.4	33.1	28.0	37.7	38.0
Eye care	12.7	11.9	13.4	15.2	8.6	9.4	7.9	7.8
Dental services	21.2	19.3	26.0	18.8	16.9	18.2	16.9	14.1
Other services	12.2	9.2	14.2	21.2	11.3	9.2	9.1	18.6
Health insurance premiums	29.4	36.3	19.5	20.3	30.0	35.1	28.3	21.5
Unattached men	84.1	52.9	17.9	13.3	405.1	132.7	99.8	172.6
				2003\$ (millions)				
				%				
Direct cost to household	65.1	62.5	73.9	63.5	69.8	60.8	73.4	74.6
Medicines and pharmaceuticals	23.5	21.6	28.7	23.9	30.7	27.1	33.6	31.8
Eye care	12.5	12.9	15.1	7.3	7.9	7.9	9.0	7.2
Dental services	17.1	17.7	18.4	13.0	17.1	16.0	25.0	13.4
Other services	12.0	10.3	11.7	19.3	14.1	9.8	5.8	22.2
Health insurance premiums	34.9	37.5	26.1	36.5	30.2	39.2	26.6	25.4
Unattached women	284.9	104.1	100.0	80.7	1,085.0	295.4	303.3	486.2
				2003\$ (millions)				
				%				
Direct cost to household	75.3	65.7	83.2	77.8	76.9	69.9	76.6	81.3
Medicines and pharmaceuticals	26.3	30.4	24.3	23.6	36.2	29.9	36.6	39.8
Eye care	16.2	12.8	17.6	18.8	9.1	10.0	9.0	8.6
Dental services	19.5	12.0	27.6	19.2	15.6	15.5	20.9	12.4
Other services	13.3	10.5	13.8	16.3	15.9	14.4	10.1	20.5
Health insurance premiums	24.7	34.3	16.8	22.2	23.1	30.1	23.4	18.7
Couples only	830.3	422.8	303.9	103.5	3,362.3	1,580.8	1,091.8	669.7
				2003\$ (millions)				
				%				
Direct cost to household	72.1	62.2	82.4	82.0	68.9	63.5	71.0	77.8
Medicines and pharmaceuticals	25.9	24.0	27.9	27.8	34.2	29.5	37.9	39.3
Eye care	12.2	10.9	12.7	15.4	7.8	8.3	7.6	6.9
Dental services	21.5	18.1	26.7	20.3	16.9	17.4	17.2	15.4
Other services	12.5	9.3	14.9	18.6	9.9	8.3	8.3	16.1
Health insurance premiums	27.9	37.8	17.6	18.0	31.1	36.5	29.0	22.2

¹ Includes those with children or relatives, and other household types.

Note: Overall mean expenditure by age and type of household is shown in Table 3A.

Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

Summary

As households age, not only does their income drop but also their spending patterns change. In addition, they tend to become smaller, which may necessitate downsizing or moving to rental accommodation. The loss of earnings as the major income source means

less personal income tax to pay and almost no contributions for security. This lowers expenditures. On the other hand, the proportion of spending on personal consumption as well as gifts and contributions tends to increase. Changes in spending patterns also reflect altered lifestyles.

Table 5 Mean expenditure of households dependent on government transfers by age of reference person

	1982				2003			
	Total	55-64	65-74	75+	Total	55-64	65-74	75+
Households	326,300	95,380	134,410	96,500	758,750	174,430	230,750	353,570
Total expenditure	12,910	11,780	14,420	11,930	17,200	15,440	18,580	17,180
Pre-tax income	13,110	11,150	14,930	12,510	16,250	12,880	17,660	16,990
					\$			
Total consumption	12,420	11,650	13,680	11,420	16,270	15,190	17,620	15,920
Food	3,630	3,420	3,890	3,480	3,490	3,140	3,790	3,460
Shelter	3,910	3,730	4,060	3,900	5,500	5,320	5,380	5,670
Household operation	900	860	1,010	760	1,190	1,040	1,240	1,220
Furnishings and equipment	420	350	490	390	620	320	630	750
Clothing	670	610	740	640	610	520	710	590
Transportation	1,040	850	1,320	840	1,930	1,750	2,530	1,640
Health	320	290	330	350	850	640	930	910
Personal care	290	260	310	280	340	230	380	370
Recreation	340	270	450	250	570	660	760	410
Reading and printed material	120	90	150	90	120	80	130	120
Tobacco and alcohol	540	670	660	250	650	1,120	670	400
Miscellaneous	230	220	280	170	380	300	450	380
Personal tax	-10	-80	60	-40	410	40	360	620
Security	40	50	30	40	110	80	180	80
Gifts and contributions	470	160	650	520	410	130	420	550

Note: These households receive all their income from transfers.

Sources: Family Expenditure Survey, 1982; Survey of Household Spending, 2003

All households 55 and over were spending more on personal consumption, income tax and security in 2003 than in 1982. As a result, saving fell from 13% of income in 1982 to only 4% in 2003. Largely because of their higher incomes, couples fared better than unattached individuals.

The key components of household consumption were food, shelter, and transportation, together accounting for 61 to 68 cents of the consumption dollar. The ranking of these components changed for the 55-to-64 group: from food, shelter and transportation in 1982 to shelter, transportation and food in 2003. For those 75 plus, on the other hand, the ranking remained unchanged: shelter, food, and transportation. Households in this group were also spending more out-of-pocket on health in 2003 than in 1982; expenses incurred were for prescribed drugs, other medical and health care services, dental services, and eye care (ranked by relative share of the health dollar).

The proportion of households receiving their entire income from government transfers increased over the 1982-to-2003 period. Nearly two-thirds of these households were unattached individuals—more women than men. Most of their consumption dollar was spent on the two essentials of food and shelter: 52 to 57 cents in 2003 compared with 58 to 65 cents in 1982. The major difference over time in spending of these households by age was that those 55 to 64 were spending more on tobacco and alcohol whereas those 75 and over spent more on health.

Perspectives

■ Notes

1 Security expenditures include Canada/Quebec Pension Plan, Employment Insurance, and private pension plan contributions.

2 The analysis could have been carried out by splitting older households into only two groups: 55 to 64 and 65 and over. However, this would have masked the expenditure patterns

of households in which the reference person may have opted to delay retirement to after age 65, or in which the spouse or other family members are working. Such situations, more common in 2003 than in 1982, made it desirable to examine a 65 to 74 year-old group, many of whom had some attachment with the labour force—32% had earnings in 2003 compared with 30% in 1982. Although the tables show data for the three age groups, the text makes comparisons mainly between the 55-to-64 and 75-plus groups. In the former, the majority had earnings, whereas in the latter, the majority did not. See Chawla and Wannell (2005) for shifts in expenditures between 1982 and 2001 based on household surveys, and Harchaoui and Tarkhani (2004) and Sauvé (2005) for shifts based on personal expenditure data from the System of National Accounts.

3 Some of the drop in investment income may be due to the decline in the trendsetting bank rate, which fell from 13.96% in 1982 to 3.19% in 2003. Not all households are equally affected by interest-rate fluctuations. For households with large savings, a higher rate will generate more investment income, perhaps encouraging them to spend more. On the other hand, for households with greater consumer and mortgage debt liability, the higher rate may dampen spending as more of their income goes toward discharging debt.

4 Gifts were treated somewhat differently in the 1982 and 2003 surveys. The 1982 questionnaire contained a separate category for gifts, while in 2003 respondents were directed to include them under the relevant subject category (furniture, toys, and so forth), except for clothing. This creates a small upward bias in personal consumption in 2003 relative to 1982.

5 Some of the reduced expenditure on food, clothing and recreation over time may be attributed to a drop in prices for these products and services. This has been brought about largely by increased competition in the retail and wholesale markets, the opening of discount outlets, and changes in tariffs and quotas on imports. Similarly, some reduction in spending on tobacco and alcohol may be due to greater knowledge of their harmful health effects.

6 The SHS does not collect information on the cost of treatment provided by doctors or hospitals under provincial health insurance schemes. Instead, it asks about expenses such as government or private insurance health premiums, prescription drugs, dental and eye care, and services provided by other medical professionals. See also Luffman (2005) for spending by households on prescription drugs.

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